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November 24, 2010

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 2nd Floor
Boston, MA 02110

Re: Request for Approval of Merger between NSTAR and Northeast Utilities, D.P.U. 10-170

Dear Secretary Marini,

Enclosed for filing is a $100 filing fee and an original and eight (8) copies of the Joint Petition of NSTAR Electric Company ("NSTAR Electric") and NSTAR Gas Company ("NSTAR Gas"), along with their holding company parent, NSTAR, and Western Massachusetts Electric Company ("WMECO"), along with its holding company parent Northeast Utilities ("NU"), as the "Joint Petitioners," requesting approval from the Department of Public Utilities (the "Department") pursuant to G.L. c. 164, § 96 to merge NSTAR and NU into a consolidated organization (the "Proposed Merger"). The Proposed Merger does not involve the consolidation of NSTAR Electric, NSTAR Gas or WMECO, each of which will remain separate companies and independently subject to the Department's jurisdiction under G.L. c. 164, § 1 upon the closing of the Proposed Merger.[1]

In the filing, the Joint Petitioners present the testimony of James J. Judge, Senior Vice President and Chief Financial Officer for NSTAR, and David R. McHale, Executive Vice President and Chief Financial Officer for NU. The joint testimony describes the Proposed Merger and demonstrates that the proposed transaction is consistent with the public interest under G.L. c. 164, § 96, including each of the factors that the Department considers in reviewing a proposed transaction under § 96 and its impact on Massachusetts customers.

As described in the joint testimony of Mr. Judge and Mr. McHale, the Department's longstanding policy has been to encourage cost-effective utility mergers and acquisitions, as one of several means by which utilities may be able to reduce their cost of service, improve service reliability and enhance their financial strength. The Proposed Merger will satisfy these important public-policy objectives by bringing together two utility holding companies, with

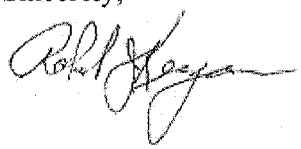
[1] Therefore, in addition to approval of the Proposed Merger under G.L. c. 164, § 96, the Joint Petitioners request the Department to confirm that, following the Proposed Merger, NSTAR Electric, NSTAR Gas and WMECO will retain their respective franchise rights and obligations, and that further action, pursuant to G.L. c. 164, § 21, is not required to consummate the Proposed Merger.

complementary distribution and transmission assets, a substantial customer base and a qualified and experienced utility workforce trained to fulfill the public service obligations attendant to the delivery of gas and electric service. This broad-based operating platform will create economies of scale and scope and resulting public-interest benefits that could not be attained in the absence of the Proposed Merger.

The Agreement and Plan of Merger entered into by NSTAR and NU on November 1, 2010, as amended (the "Merger Agreement"), provides for the Proposed Merger, subject to necessary approvals of government regulatory authorities having jurisdiction over the Proposed Merger, including the Department. NSTAR and NU are seeking to obtain all necessary regulatory and shareholder approvals on or before May 15, 2011, with the closing of the Proposed Merger completed as soon as possible thereafter. Therefore, the Joint Petitioners respectfully request that the Department issue an order in this proceeding by May 15, 2011.[2]

Thank you very much for the Department's time and attention to this matter.

Sincerely,



Robert J. Keegan

cc: Laura S. Olton, General Counsel
Kevin Brannelly, Director, Rates and Revenues Division
Jesse S. Reyes, Office of the Massachusetts Attorney General
Joseph W. Rogers, Office of the Massachusetts Attorney General

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[2] The shareholder votes required under G.L. c. 164, § 96 are expected in late March or early April, 2011. Certification of the shareholder votes will be provided to the Department as soon as the certifications are obtained.

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF PUBLIC UTILITIES

Joint Petition for Approval of a Merger between NSTAR and Northeast Utilities	))))	D.P.U. 10-170

JOINT PETITION FOR APPROVAL OF MERGER BETWEEN NSTAR AND NORTHEAST UTILITIES

NSTAR Electric Company ("NSTAR Electric") and NSTAR Gas Company ("NSTAR Gas"), along with their holding company parent, NSTAR, and Western Massachusetts Electric Company ("WMECO"), along with its holding company parent Northeast Utilities ("NU"), hereby petition the Department of Public Utilities (the "Department") pursuant to G.L. c. 164, § 96, as the "Joint Petitioners," for approval to merge NSTAR and NU into a consolidated organization (the "Proposed Merger").

The Proposed Merger does not involve the consolidation of NSTAR Electric, NSTAR Gas or WMECO, each of which will remain separate companies and independently subject to the Department's jurisdiction under G.L. c. 164, § 1 upon the closing of the Proposed Merger. Therefore, in addition to approval of the Proposed Merger under G.L. c. 164, § 96, the Joint Petitioners request the Department to confirm that, following the Proposed Merger, NSTAR Electric, NSTAR Gas and WMECO will retain their respective franchise rights and obligations, and that further action, pursuant to G.L. c. 164, § 21, is not required to consummate the Proposed Merger.

In support thereof, the Joint Petitioners state the following:

1. NSTAR Electric is a Massachusetts electric distribution company, pursuant to G.L. c. 164, § 1, with a principal office in Boston, Massachusetts. NSTAR Electric provides electric distribution service to approximately 1.1 million retail customers in the cities of Boston and Cambridge, as well as 80 surrounding cities and towns, including those encompassed within the geographic area of Cape Cod and Martha's Vineyard.

2. NSTAR Gas is a Massachusetts natural gas local distribution company, pursuant to G.L. c. 164, § 1, with a principal office in Boston, Massachusetts. NSTAR Gas purchases, distributes and sells natural gas to approximately 300,000 retail customers in 51 communities in central and eastern Massachusetts, including Cambridge, Framingham, Plymouth, New Bedford, Worcester, and an area within the City of Boston.

3. Western Massachusetts Electric Company is a Massachusetts electric distribution company, pursuant to G.L. c. 164, § 1, with a principal office in Springfield, Massachusetts. WMECO provides electric distribution service to approximately 210,000 retail customers in 59 cities and towns in western Massachusetts.

4. NSTAR is a Massachusetts business trust and a public utility holding company with its principal office in Boston, Massachusetts. NSTAR is engaged primarily in the energy delivery business through its two wholly-owned regulated utility subsidiaries in Massachusetts.

5. NU is a Massachusetts business trust and public utility holding company with its principal office in Springfield, Massachusetts. NU's corporate offices are located in Hartford, Connecticut. NU is engaged primarily in the energy delivery business through

its four wholly-owned regulated utility subsidiaries in Connecticut, Massachusetts and New Hampshire.[1]

6. NSTAR and NU have entered into an Agreement and Plan of Merger dated October 16, 2010, as amended on November 1, 2010 (the "Merger Agreement"), which provides for the Proposed Merger, subject to necessary approvals of government regulatory authorities having jurisdiction over the Proposed Merger, including the Department's approval as requested in this petition.

7. Exhibit JP-1 provides the joint testimony of James J. Judge, Senior Vice President and Chief Financial Officer for NSTAR, and David R. McHale, Executive Vice President and Chief Financial Officer for NU. The joint testimony describes the Proposed Merger and demonstrates that the proposed transaction is consistent with the public interest under G.L. c. 164, § 96, including each of the factors that the Department considers in reviewing a proposed transaction under § 96 and its impact on Massachusetts customers. A copy of the Merger Agreement is provided as Exhibit JP-2.

8. More specifically, the joint testimony of James J. Judge and David R. McHale demonstrates that the Proposed Merger satisfies the public-interest standard set forth in G.L. c. 164, § 96, as applied by the Department in prior proceedings, including Boston Gas Company and Essex Gas Company each d/b/a National Grid, D.P.U. 09-139 (2010); Sale of Northern Utilities, D.P.U. 08-43-A (2008); NSTAR Electric Company, D.T.E. 06-40 (2007); Boston Edison/Commonwealth Energy System Merger, D.T.E. 99-19

[1] In addition to WMECO, NU owns: (1) The Connecticut Light and Power Company, which is an electric distribution company serving approximately 1.2 million customers in Connecticut; (2) Public Service Company of New Hampshire, which is a public utility that provides electric service to approximately 490,000 customers in New Hampshire; and (3) Yankee Gas Services Company, which provides natural gas service to approximately 200,000 customers in Connecticut. None of these NU affiliates own any assets or conduct any business in Massachusetts subject to the jurisdiction of the Department.

(1999); Eastern-Colonial Acquisition, D.T.E. 98-128 (1999); Eastern-Essex Acquisition, D.T.E. 98-27 (1998); and NIPSCO-Bay State Acquisition, D.T.E. 98-31 (1998). In these cases, the Department established a "no net harm" standard for evaluating proposed mergers. See, e.g., Sale of Northern Utilities, D.P.U. 08-43-A, at 25-26; Eastern-Colonial Acquisition, D.T.E. 98-128, at 5; Eastern-Essex Acquisition, D.T.E. 98-27, at 8. Under the "no net harm" standard, a proposed merger is allowed to go forward on a finding by the Department that the "public interest would be at least as well served by approval of a proposal as by its denial." See, e.g., Boston Edison/Commonwealth Energy System Merger, D.T.E. 99-19, at 10. The Joint Testimony of Mr. Judge and Mr. McHale demonstrates that the Proposed Merger meets the Department's "no net harm" standard, and therefore, the Proposed Merger should be approved by the Department and allowed to go forward.

9. The Merger Agreement requires NSTAR and NU to obtain the affirmative vote of holders of two-thirds of their respective outstanding common shares for approval of the Proposed Merger, consistent with the requirements of G.L. c. 164, § 96. The shareholder votes are expected in late March or early April, 2011. Certification of the shareholder votes will be provided to the Department as soon as the certifications are obtained.

10. Pursuant to the Merger Agreement, consideration for the Proposed Merger will be 100 percent equity, in the form of NU common shares, although cash will be paid in lieu of fractional shares. At closing, each holder of an NSTAR common share will be entitled to receive 1.312 shares of NU common shares (the "exchange ratio"). The exchange ratio is based on the average closing share prices of NSTAR and NU over the 20 trading days immediately preceding the announcement of the Merger Agreement and reflects no

merger premium for either party's shareholders. Following closing of the Proposed Merger, existing NSTAR shareholders will own approximately 44 percent of the equity in the post-merger NU, while existing NU shareholders will own the remaining 56 percent. The Proposed Merger is expected to qualify as a tax-free exchange for both NSTAR and NU shareholders.

11. In addition to approval of the Department under G.L. c. 164, § 96, certain aspects of the Proposed Merger are subject to review by the Securities and Exchange Commission, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Federal Communications Commission and the Maine Public Utilities Commission, as well as pre-merger notifications to the Department of Justice and the Federal Trade Commission in accordance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

12. If approved by the Department, and upon satisfaction of all conditions for closing, NSTAR will be merged with and into a new, wholly-owned first tier subsidiary of NU called NU Holding Energy 1 LLC ("Merger Sub"), with NSTAR being the surviving entity (termed the "Surviving Trust") and Merger Sub ceasing to exist. Immediately thereafter, NSTAR (Surviving Trust) will be merged with and into a second, wholly-owned first tier subsidiary of NU created to accomplish the merger called NU Holding Energy 2 LLC ("Acquisition Sub"). Acquisition Sub will be the surviving entity and renamed NSTAR LLC. As a consequence of the two concurrent mergers, NSTAR will become a wholly-owned, first tier subsidiary of NU and the consolidated organization will retain the name "Northeast Utilities."

13. The Joint Petitioners are not proposing any rate changes to take effect upon the closing of the Proposed Merger for customers of NSTAR Electric, NSTAR Gas and WMECO. Rates will remain at current levels upon the closing unless and until a change in those rates is authorized by the Department.

14. Upon closing of the Proposed Merger, NSTAR Electric, NSTAR Gas and WMECO will remain separate companies subject to the Department's jurisdiction under G.L. c. 164, § 1. The Proposed Merger will not cause NSTAR Electric, NSTAR Gas or WMECO to merge or consolidate with each other or with another company, nor will it cause any transfer of the respective assets or franchises of these companies to occur. Because G.L. c. 164, § 21 limits the transfer of utility franchises, it is necessary and appropriate for the Department, in approving the Proposed Merger, to confirm that all of the franchise rights and obligations currently held by NSTAR Electric, NSTAR Gas and WMECO shall continue to be held by those companies upon the consummation of the merger of the holding companies. See, e.g., Eastern-Essex Acquisition, D.T.E. 98-27, at 75-76.

15. NSTAR and NU are seeking to obtain all necessary regulatory and shareholder approvals on or before May 15, 2011, with the closing of the Proposed Merger completed as soon as possible thereafter. Therefore, the Joint Petitioners are requesting that the Department issue an order in this proceeding by May 15, 2011.

WHEREFORE, the Joint Petitioners respectfully request that the Department:

a. Determine that the Proposed Merger and the terms thereof are consistent with the public interest;

b. Approve the Proposed Merger pursuant to G.L. c. 164, § 96;

c. Confirm that, following the Proposed Merger, NSTAR Electric, NSTAR Gas and WMECO will continue to hold the franchise rights and obligations that were respectively held by each of those companies prior to the Proposed Merger, and

that further action, pursuant to G.L. c. 164, § 21, is not required to consummate the Proposed Merger; and

d. Issue such other and further orders as may be necessary and appropriate.

Respectfully submitted,

NSTAR ELECTRIC COMPANY and NSTAR GAS COMPANY

By their attorneys,

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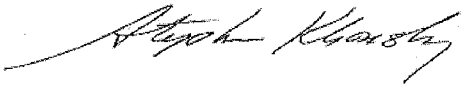
WESTERN MASSACHUSETTS ELECTRIC COMPANY

By its attorneys,



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and

Robert L. Dewees, Jr.
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Dated: November 24, 2010

JOINT TESTIMONY OF
JAMES J. JUDGE AND DAVID R. MCHALE
D.P.U. 10-170

Exhibit JP-1

1 **I. INTRODUCTION**

2 **Q. Mr. Judge, would you please state your name and business address.**

3 A. My name is James J. Judge. My business address is 800 Boylston Street, Boston,
4 Massachusetts.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am Senior Vice President and Chief Financial Officer of NSTAR, the holding
7 company parent, and NSTAR's two operating affiliates, NSTAR Electric
8 Company ("NSTAR Electric") and NSTAR Gas Company ("NSTAR Gas"). In
9 that capacity, I am responsible for treasury and accounting operations, investor
10 relations, financial planning, rates, performance management, asset management,
11 energy supply, supply chain, environmental affairs and information systems.

12 **Q. Please summarize your educational and professional background.**

13 A. As of the time of the merger of BEC Energy and Commonwealth Energy Systems
14 in 1999, I served as the Senior Vice President, Treasurer and Chief Financial
15 Officer of BEC Energy. I continued in these positions following the creation of
16 NSTAR in 1999, although in 2009 I delegated my responsibilities as Treasurer to
17 one of my direct reports. I joined Boston Edison Company in 1977 and held
18 various positions in the rate, treasury, planning and financial management
19 organizations prior to becoming Chief Financial Officer in 1995. I hold a

1 Bachelor of Science degree and a Masters degree in Business Administration
2 from Babson College.

3 **Q. Mr. McHale, would you please state your name and business address.**

4 A. My name is David R. McHale. My business address is 56 Prospect Street,
5 Hartford, Connecticut.

6 **Q. By whom are you employed and in what capacity?**

7 A. I am Executive Vice President and Chief Financial Officer of Northeast Utilities
8 ("NU"), which is the holding company parent of Western Massachusetts Electric
9 Company ("WMECO"). In that capacity, I am responsible for NU's treasury,
10 accounting, investor relations, financial planning and budgeting, investment
11 management, risk management, wholesale power contracts and shared services,
12 consisting of information technology, purchasing, environmental and property
13 management.

14 **Q. Please summarize your educational and professional background.**

15 A. I was named to my current position in January 2005. Prior to that, I held the
16 position of Vice President and Treasurer from July 1998 to January 2005, and
17 Assistant Treasurer-Finance from May 1995 to July 1998. I joined NU in 1981
18 and, in the period 1981 through 1998, I held several positions with successive
19 levels of responsibility, including research analyst in marketing and consumer
20 economics, financial analyst responsible for financial forecasting and systems
21 design and manager of investor relations within NU's treasury organization. I

earned a Bachelor of Science degree in economics from Southern Connecticut State University in 1982 and a Masters of Business Administration in Finance from the University of New Haven in 1986. I am also a 1997 graduate of the Stanford University Executive Financial Management Program and a 2003 graduate of Stanford's Executive Program in Strategy and Organization.

Q. What is the purpose of your joint testimony?

A. The purpose of our testimony is to: (a) describe the merger transaction taking place to combine NSTAR and NU (the "Proposed Merger"), and (b) demonstrate that the Proposed Merger satisfies the public-interest standard of G.L. c. 164, § 96, as applied by the Department in relation to the impact on Massachusetts customers. The Proposed Merger is the result of an Agreement and Plan of Merger (the "Merger Agreement") entered into by NU and NSTAR on October 16, 2010, as amended on November 1, 2010, which provides for the merger of NSTAR and NU into a consolidated organization that will retain the name Northeast Utilities. The Merger Agreement is provided in this filing as Exhibit JP-2. As denoted in the Merger Agreement, there are certain filings, notices and waiting periods required in order for NU and NSTAR to obtain authorization, approval or consent from a number of federal and state regulatory authorities having jurisdiction over aspects of the Proposed Merger. In this proceeding NSTAR, NU, NSTAR Electric, NSTAR Gas and WMECO ("Joint Petitioners")

are requesting the Department's approval of the Proposed Merger under G.L. c. 164 § 96.

Q. As an initial matter, would you please summarize the rationale for the merger between NSTAR and Northeast Utilities?

A. The rationale for the Proposed Merger stems from the overall challenges facing utilities in today's environment. As has always been the case, utilities must provide a high quality of service, at a reasonable cost, and with the extraordinary level of reliability demanded by the critical importance of electricity and gas to the economy, public safety and welfare. Today, utilities face the additional challenges of supporting substantially increased reliance on renewable energy while attempting to minimize price increases to customers. In addition, utilities are confronting the challenges of aging-infrastructure replacement while simultaneously working to deploy new "smart grid" technology. Meeting these challenges is necessary to assure that the utility is technologically positioned to provide the most efficient and effective metering, billing and customer care opportunities for customers and to maintain a committed, qualified workforce able to meet the demands of our "digital" society. Moreover, these requirements must be met against a backdrop of a regional economy that has yet to recover from the financial upheaval of the recent past.

Although NU and NSTAR are each capable of addressing these issues on their own, they are able to do so more effectively and efficiently by merging into one

company. The merged entity will be significantly larger, thus able to not only support needed future investment but also to withstand further volatility in the national economy. The expanded service territory of the new company will bring significant geographic diversity, which will enable enhanced mutual support during storms or other service disruptions that are usually localized in nature. The merged company will bring together the complementary strengths of a best in class distribution company, which is largely urban in nature and has significant expertise with underground systems, with a best in class transmission provider, whose service territory is largely suburban and rural. Combining the two companies also will provide the inherent benefits of bringing together two creative and capable workforces focused on identifying and implementing best practices. For these reasons, the Proposed Merger makes a great deal of sense and will benefit customers, communities and shareholders alike.

Q. Would you briefly summarize the reasons that the Proposed Merger is in the public interest as defined by the Department in its prior precedent for utility mergers?

A. The Department's longstanding policy has been to encourage cost-effective utility mergers and acquisitions, as one of several means by which utilities may be able to reduce their cost of service, improve service reliability and enhance their financial strength. The Proposed Merger will satisfy these important public-policy objectives by bringing together two utility holding companies with complementary distribution and transmission assets, a substantial customer base

located entirely within New England, and qualified and experienced utility workforces trained to fulfill the public service obligations attendant to the delivery of gas and electric service. Through the Proposed Merger, NU and NSTAR will become the largest utility company in New England, and one of the largest in the United States, based on the size of the customer base and market capitalization. This broad-based operating platform will create economies of scale and scope (and resulting public-interest benefits), which could not be attained in the absence of the Proposed Merger.

We also note that all constituencies benefit from local ownership and management of utility companies, which the Proposed Merger provides. In this regard the "merger of equals" of NU and NSTAR is fairly unique, when viewed in the context of most mergers in recent years, which have been acquisitions by remote owners resulting in the loss to the region of the benefits of local connection. Here, the benefits of increased scale and scope come without any change in the provision of locally owned and locally managed utility service, or any change in relationship between NU and NSTAR and the New England communities in which they have historically served.

Each of the affected constituencies will see benefits from the Proposed Merger. Customers will see the cost savings associated with increased operating efficiencies, the implementation of best practices and process improvements,

increased purchasing leverage, voluntary employee attrition and retirements. Customers will also benefit from the increased scale of the new organization, which will allow for investments in infrastructure, information technology and other items to be spread over a larger customer base, thereby lowering per customer costs. In addition, the Proposed Merger may also make possible investment in technologies and processes that might be less feasible from an economic perspective for each company to undertake on a stand-alone basis. In addition, the larger scale and scope will create the financial strength to meet enhanced service reliability standards over time on an efficient, sustainable basis.

Employees will see greater opportunities to utilize their skills and capabilities, as well as increased opportunities for career growth. The post-merger organization will honor all existing collective-bargaining agreements. In addition, the Company will work to achieve cost savings by leveraging existing work-force capabilities as employee attrition occurs through voluntary departures and retirements.

Regionally, the financial strength of the combined organization will enable investment in capital-intensive distribution and transmission projects, which will provide important benefits to the local economy. The combined organization will also allow for greater financial flexibility and the liquidity necessary to weather cyclical conditions in the utility industry and general economy. In addition, the

larger scale and scope will give the combined company a stronger regional voice in national energy policy discussions for the benefit of customers and the communities in which the NU organization will provide electric and gas delivery service.

For all of these reasons, the Proposed Merger is in the public interest and should be approved by the Department.

II. DESCRIPTION OF THE MERGER TRANSACTION

Q. Please describe NSTAR and NU and their respective utility operating subsidiaries?

A. NSTAR is a Massachusetts business trust and a public-utility holding company with a principal office in Boston, Massachusetts. NSTAR is engaged primarily in the energy delivery business through its two wholly-owned regulated utility subsidiaries in Massachusetts, which are NSTAR Electric and NSTAR Gas. NSTAR Electric is a Massachusetts electric distribution company, pursuant to G.L. c. 164, § 1, with a principal office in Boston, Massachusetts. NSTAR Electric provides electric distribution service to approximately 1.1 million retail customers in the cities of Boston and Cambridge, as well as 80 surrounding cities and towns, including those encompassed within the geographic area of Cape Cod and Martha's Vineyard. NSTAR Gas is a Massachusetts natural gas local distribution company, pursuant to G.L. c. 164, § 1, with a principal office in Boston, Massachusetts. NSTAR Gas purchases, distributes and sells natural gas

to approximately 300,000 retail customers in 51 communities in central and eastern Massachusetts, including, Cambridge, Framingham, Plymouth, New Bedford, Worcester, and an area within the City of Boston.

NU is a Massachusetts business trust and public-utility holding company with its principal office in Springfield, Massachusetts. NU has its corporate offices in Hartford, Connecticut. NU is engaged primarily in the energy delivery business through its four wholly-owned regulated utility subsidiaries in Connecticut, Massachusetts and New Hampshire. NU's Massachusetts wholly owned electric distribution company is WMECO with its principal office in Springfield, Massachusetts. WMECO provides electric distribution service to approximately 210,000 retail customers in 59 cities and towns in western Massachusetts, including the cities of Springfield and Pittsfield, Massachusetts. Other wholly owned subsidiaries of NU include The Connecticut Light and Power Company, Yankee Gas Services Company and Public Service Company of New Hampshire. However, none of these NU affiliates provide service to Massachusetts customers, nor own any assets in Massachusetts.

Q. Please describe the Proposed Merger transaction.

A. The Merger Agreement establishes the structure of the transaction as an all-equity, stock-for-stock exchange where cash will only be paid in lieu of issuing fractional shares, as appropriate. In accordance with the Merger Agreement, each holder of an NSTAR common share will be entitled to receive 1.312 shares of NU

common shares (the "exchange ratio"). The exchange ratio is intended to represent an average of the closing price during the 20 trading days preceding the merger announcement, with no "premium" due either to NU or NSTAR shareholders. Following completion of the Proposed Merger, Charles W. Shivery will serve as the non-executive Chairman of the Board and Thomas J. May will serve as President and Chief Executive Officer of NU. The senior management of the Company and Board of Trustees will be drawn equally from the officers and trustees of NSTAR and NU, respectively. NU will have dual headquarters in Boston, Massachusetts and Hartford, Connecticut.

Q. Please describe the process by which the Proposed Merger will occur.

A. The Proposed Merger will be accomplished in a two-step process, as set forth in the Merger Agreement. As described therein, the Proposed Merger will consist first of a merger under Massachusetts law, whereby NSTAR will combine with, and into, a new first tier, wholly owned subsidiary of NU, called NU Holding Energy 1 LLC ("Merger Sub"). In this part of the transaction, Merger Sub will cease to exist and NSTAR becomes the surviving entity (termed the "Surviving Trust"). Immediately thereafter, NSTAR, the Surviving Trust, will merge with and into a second, wholly-owned first tier subsidiary of NU (NU Holding Energy 2 LLC or "Acquisition Sub"). The Acquisition Sub will be the surviving entity and renamed NSTAR LLC. As a consequence of the two concurrent mergers, NSTAR will become a wholly owned, first tier subsidiary of NU in a

1 transaction intended to produce a tax-free exchange of stock for the present
2 shareholders of both NSTAR and NU.

3 **Q. In addition to approval of the Department, what other regulatory filings are**
4 **required to complete the merger?**

5 A. The Proposed Merger will require the approval of the Federal Energy Regulatory
6 Commission under § 203 of the Federal Power Act; pre-merger notifications to
7 the Department of Justice and the Federal Trade Commission under the Hart-
8 Scott-Rodino Antitrust Improvements Act of 1976; approval of the Nuclear
9 Regulatory Commission ("NRC") in connection with the indirect interests held in
10 decommissioned nuclear power plants that remain licensed by the NRC for the
11 purpose of spent fuel storage; approval of the Federal Communications
12 Commission ("FCC") in connection with the indirect transfer of ownership or
13 control of FCC-issued licenses; and approval of the Maine Public Utilities
14 Commission in conjunction with ownership by Public Service Company of New
15 Hampshire of a small amount of transmission assets in the state of Maine.

16 In addition, NU and NSTAR filed a Form S-4 Registration Statement with the
17 Securities and Exchange Commission ("SEC") on November 22, 2010, which
18 includes a joint proxy statement of NU and NSTAR, and which also constitutes a
19 prospectus of NU. The joint proxy statement/prospectus will be mailed to the
20 respective shareholders of NU and NSTAR once the Form S-4 Registration
21 Statement has been declared effective. To obtain approval of the merger and

1 related proposals, shareholder votes are expected in late March or early April,
2 2011, depending on the timing of SEC comments. The Proposed Merger must be
3 approved by two-thirds of the outstanding shares of both NU and NSTAR.

4 **Q. What is the anticipated timeline for closing the Proposed Merger of NSTAR**
5 **and NU?**

6 A. NU and NSTAR are seeking to obtain all of the necessary regulatory and
7 shareholder approvals on or before May 15, 2011, with the closing of the
8 proposed merger completed as soon as possible thereafter. Therefore, the Joint
9 Petitioners respectfully request that the Department issue an order in this
10 proceeding by May 15, 2011.

11 **III. THE PROPOSED MERGER IS CONSISTENT WITH THE PUBLIC**
12 **INTEREST**

13 **Q. What is your understanding of the approval that is necessary from the**
14 **Department under G.L. c. 164, § 96?**

15 A. Our understanding is that the Department's approval of the Proposed Merger is
16 required under G.L. c. 164, § 96 because both NU and NSTAR own and operate
17 affiliates that provide electric or gas distribution service to Massachusetts
18 customers subject to the Department's jurisdiction under G.L. c. 164, § 1. Our
19 further understanding is that the review that the Department applies under § 96 is
20 focused on evaluating the potential impacts of the planned merger or
21 consolidation on the interests of Massachusetts customers. This scope of review
22 requires a demonstration that the proposed transaction is "consistent with the

1 public interest" and will result in "no net harm" for Massachusetts customers. We
2 also understand that, under the "no net harm" standard, a proposed merger is
3 allowed to go forward on a finding by the Department that the "public interest
4 would be at least as well served by approval of a proposal as by its denial."

5 Based on these understandings, our testimony is designed to review the factors
6 that the Department has previously identified as important in evaluating the costs
7 and benefits of a proposed merger and to demonstrate that the Proposed Merger is
8 in the public interest and will result in no net harm for Massachusetts customers.

9 **Q. Does the Proposed Merger meet the public-interest standard of G.L. c. 164,**
10 **§ 96, as applied by the Department in prior cases?**

11 A. Yes. It is our belief that the Proposed Merger not only meets the "no net harm"
12 test, but in the long run, will provide the opportunity for benefits that would not
13 otherwise be achievable. The Department's review of this Joint Petition will
14 show that the Proposed Merger is consistent with the public interest because the
15 transaction will create opportunities for cost reduction, service improvements and
16 enhanced financial strength, among other beneficial results, which would not be
17 available in the absence of the Proposed Merger. These are fundamental public-
18 policy objectives that the Department has long promoted. Therefore, given that
19 the positive impacts of the Proposed Merger are consistent with the Department's
20 central policy objectives, the Department's review of this filing will show that the
21 Proposed Merger meets the Department's public-interest standard. Thus, the

interests of Massachusetts customers served by NSTAR Electric, NSTAR Gas and WMECO will be better served by the Department's approval of the Proposed Merger than by its denial.

Q. Would you please explain your understanding of the specific factors that must be addressed to demonstrate that the Proposed Merger meets the Department's standard for approval under G.L. c. 164, § 96?

A. Yes. Our understanding is that the Department has stated that it will consider a number of factors in order to determine whether a proposed transaction is "consistent with the public interest" and will result in "no net harm" to Massachusetts customers, including:

- Impact on rates (including proposed rate changes at the time of the closing of the transaction);
- Long-term strategies that will assure a reliable, cost-effective energy delivery system;
- Impact on the quality of service, including any potential for interruptions in service or the existence of other factors that may negatively affect customer service;
- Resulting net savings;
- Effect on competition;
- Financial integrity of the post-merger entity;
- Fairness of the distribution of resulting benefits between stockholders and customers;
- Societal costs and effect on economic development; and
- Alternatives to the merger.

Our testimony below addresses each of these factors in sequence.

Q. Turning now to the specific public-interest factors considered by the Department, will the Proposed Merger have an adverse impact on the rates of NSTAR Electric, NSTAR Gas, or WMECO?

A. No. Through this merger request, the Joint Petitioners are not seeking any changes to the rates charged to customers of NSTAR Electric, NSTAR Gas and WMECO. No changes to the tariff rates or services of NSTAR Electric, NSTAR Gas or WMECO are planned or contemplated as a condition of the Proposed Merger. Moreover, because there is no consolidation of NSTAR Electric, NSTAR Gas and/or WMECO that would be effected upon the closing of the Proposed Merger, the Department will retain the ability to examine future changes in rates in accordance with the cost structures and rate mechanisms applicable to each of those individual companies. Therefore, no negative rate impact can result to customers as a result of effectuating the Proposed Merger and, over time, efficiencies from the merger will positively affect future rates.

Q. Will the Proposed Merger have an effect on long-term strategies that will assure a reliable and cost-effective energy delivery system?

A. The Proposed Merger will have a positive impact on the reliable and cost-effective delivery of gas and electricity to Massachusetts customers. NSTAR Electric, NSTAR Gas and WMECO have always endeavored to provide customers with reliable and cost-effective delivery service. The merger provides an opportunity to adopt best practices across the organization to enhance the existing quality of service. Moreover, the key to maintaining a reliable system in

1 the long run is the consistent and adequate investment of capital by utility
2 managers. The Proposed Merger is occurring at the holding company level and
3 will have the effect of strengthening financial integrity and increasing investment
4 capability. In fact, the Joint Petitioners view this enhanced capability as a core
5 driver of the merger transaction and plan to make substantial investments in
6 regional infrastructure improvements over the next five years. These
7 infrastructure improvements will inure to the benefit of customers in the form of
8 enhanced service reliability and improved system-operating efficiency.

9 **Q. Please describe how the Proposed Merger will affect service quality,**
10 **including whether any service interruptions or negative consequences are**
11 **anticipated as a result of the merger.**

12 A. An important aspect of the Proposed Merger is that the current structure of the
13 Massachusetts operating companies will not change and NSTAR Electric,
14 NSTAR Gas and WMECO will continue to operate as independent entities.
15 Accordingly, there will be no adverse impact on service quality, no greater
16 potential for service interruptions, and no negative service quality consequences
17 resulting from the Proposed Merger. Senior management of both companies are
18 committed to providing high quality service that meets or exceeds the
19 expectations of customers and other stakeholders. The holding company merger
20 will have no detrimental impact on management's commitment and close
21 attention to service quality. In fact, the Joint Petitioners anticipate that service
22 quality will be favorably affected by the adoption of "best practices" between and

among subsidiary companies. Customers should benefit from the exchange of ideas, methods and procedures and the implementation of system-wide best practices in the areas of operations and customer service.

Moreover, the Proposed Merger will not change the Department's authority with respect to the quality of service provided by NSTAR Electric, NSTAR Gas and WMECO to Massachusetts customers. The closing of the Proposed Merger will not disturb or change the Department's ability to measure and monitor the service quality of each utility after the Proposed Merger. Service quality is measured, monitored and enforced through the annual service-quality review undertaken by the Department and service-quality penalties may be assessed if service were to fall below historical benchmark levels. However, NSTAR Electric, NSTAR Gas and WMECO do not anticipate any negative service-quality impacts resulting from the Proposed Merger. As noted above, the Joint Petitioners' expectation is that service quality will be positively affected over time as best practices are implemented.

Q. Do NSTAR and NU anticipate that net savings associated with operating and maintenance costs will result from the Proposed Merger?

A. Over time, the integration of the NSTAR and NU operations is anticipated to produce net savings associated with operating and maintenance ("O&M") costs. However, the scope and timing of O&M savings is not yet known, and therefore, there are no estimated or quantified savings at this time. There are no plans to

consolidate subsidiary operations below the holding company level as part of the Proposed Merger, and therefore NSTAR Electric, NSTAR Gas and WMECO will continue to be operated as independent entities. Over time, efficiencies are expected to result primarily from process improvements, purchasing leverage, voluntary employee attrition and retirements and other potential efficiencies. As cost savings are obtained, the net benefit of those savings will be passed on to customers through reduced costs of service in future rate proceedings.

Q. Will the Proposed Merger have any effect on competition?

A. Completion of the Proposed Merger will not have any adverse impact on retail competition in Massachusetts. NSTAR Electric, NSTAR Gas and WMECO have established comprehensive internal processes in order to conduct business transactions with competitive suppliers serving customers on each distribution system. These internal processes are consistent with the protocols established by the Department since the enactment of the Electric Utility Industry Restructuring Act of 1997 and will be maintained as such following the completion of the Proposed Merger.

In addition, neither NU nor NSTAR, nor their operating companies, compete for retail customers in Massachusetts. None of the geographic service territories of NSTAR Electric, NSTAR Gas and WMECO overlap. In addition, there will be no change in the various practices and procedures governing retail choice

activities supported by NSTAR Electric, NSTAR Gas and WMECO for customers served by competitive suppliers on each system.

Q. How will the Proposed Merger affect the financial integrity of the post-merger entity?

A. The post-merger organization will have an enterprise value of approximately $18 billion and a market capitalization of approximately $10 billion. The post-merger organization will provide electric and gas delivery services to approximately 3.5 million customers in three states through six operating companies. This scale and scope of operation will result in greater financial strength. Currently, both NSTAR and NU have strong balance sheets, established track records of profitability and investment grade credit ratings. The merger of the NSTAR and NU holding companies will create incremental financial strength through the combination of cash flows, the consolidation of revenues and earnings, balance sheet consolidation and business and regulatory diversity. The combined organization will also allow for greater financial flexibility and the liquidity necessary to weather cyclical conditions in the utility industry. Consequently, the Proposed Merger will have a positive impact on the going-forward financial integrity of the post-merger organization.

Q. How will the benefits of the Proposed Merger be distributed between shareholders and customers?

A. As anticipated by the Department in establishing a policy to encourage utility mergers and acquisitions, the Proposed Merger will create benefits such as

1 increased efficiencies, reduced costs of service, improved service reliability and
2 enhanced financial strength. These benefits will inure to the benefit of customers
3 and will be incorporated into rates and service-quality metrics over time, as
4 appropriate. Although the Joint Petitioners will incur costs to achieve these
5 benefits, the Department's policy is that merger-related costs cannot be recovered
6 from customers unless and until a demonstration is made that merger-related
7 savings will be achieved to offset those costs. As a result, the distribution of
8 benefits between shareholders and customers that would occur as a result of the
9 Department's approval of the Proposed Merger is fair, appropriate and reasonable.

10 **Q. Are there societal or economic impacts that could result from the Proposed**
11 **Merger?**

12 A. The Proposed Merger will have positive economic and societal impacts in several
13 respects. First, the operating utilities providing service to Massachusetts
14 customers (NSTAR Electric, NSTAR Gas and WMECO) will continue to be
15 locally owned and locally managed. This means that the post-merger
16 organization will continue to remain knowledgeable of, and committed to, the
17 Department's core policy goals of cost efficiency, service reliability and financial
18 integrity. The post-merger organization will also remain attuned to the needs,
19 concerns and expectations of Massachusetts customers, as well as customers
20 served throughout New England. To that end, the post-merger organization will
21 retain dual headquarters in Boston, Massachusetts and Hartford, Connecticut.
22 The charitable contributions and community support extended by NSTAR and

NU prior to the merger will continue in the future and will reflect the ongoing commitment that the post-merger organization will have to the state jurisdictions in which it provides service to customers.

Second, the Proposed Merger will create the opportunity to strengthen the ability of NSTAR and NU to meet New England's evolving energy needs. Reliable, dependable and cost-effective access to sustainable energy resources is important to the region's long-term economic prosperity. Significant new infrastructure investment will be required to achieve the energy goals and policies established by the Commonwealth and the New England region. The Proposed Merger will facilitate that needed investment and will bring additional jobs and tax revenues to the region. The merger of NSTAR and NU will bring complementary operations together toward the achievement of the region's economic, energy and environmental goals. The larger scale and scope of the business enterprise will create a stronger voice in regional and national energy policy and ensure that advocacy efforts on behalf of customers, communities in which customers are served and the New England region find a place at the table.

Third, the Proposed Merger will not have an adverse impact on employment because the Proposed Merger will combine two, experienced and qualified utility work forces, with labor-related operating efficiencies expected to be achieved through normal employee attrition and retirements rather than layoffs or

1 involuntary headcount reductions. The post-merger organization will honor
2 existing collective-bargaining agreements. Moreover, to the extent that the
3 financial strength of the combined organization will enable increased investment
4 in significant capital projects, this investment has the potential to increase
5 employment opportunities rather than having an adverse impact.

6 **Q. Did NU and NSTAR consider any alternatives to the Proposed Merger?**

7 A. The NU and NSTAR boards have concluded that the Proposed Merger represents
8 an optimally structured strategic transaction, which serves the interests of
9 customers, shareholders and employees, as well as the interests of the
10 Commonwealth of Massachusetts and the New England region. Although the
11 management of both companies have, from time to time, considered the merits of
12 mergers and other strategic transactions, as discussed above, the Proposed Merger
13 is unique and other transactions do not reasonably represent alternatives to the
14 Proposed Merger. Nor would other transactions provide the same unique benefits
15 as the Proposed Merger. As a result, the only real alternative to the transaction
16 would be to maintain the status quo, which would mean foregoing the anticipated
17 benefits achievable only through the Proposed Merger.

18 **Q. Do you have any final comments on the Proposed Merger and its impact on**
19 **Massachusetts customers?**

20 A. Yes. In our experience, the proposed combination of NU and NSTAR presents a
21 unique opportunity to obtain the range of benefits available through a merger

without the loss of local control. There are obvious benefits that are possible as a result of the larger scale and scope of the combined organization, which could not be achieved as efficiently or effectively by NU or NSTAR in the absence of the Proposed Merger. In addition, there are no adverse impacts that have the potential to result from the Proposed Merger for Massachusetts customers because the merger will occur at the holding company level so that utility operations are not disrupted or changed. Moreover, both NU and NSTAR are "known quantities" to the Department and the Proposed Merger will not affect the Department's familiarity with the operations, finances and management of NSTAR Electric, NSTAR Gas and WMECO. There is no other combination that we could envision that would have these unique attributes, and therefore, we request that the Department approve the Proposed Merger.

Q. Does this conclude your testimony?

A. Yes.